

SECRET

THE DEPUTY GOVERNOR

FOREIGN EXCHANGE AND GOLD MARKETS

Wednesday, 28th May 1980

Sterling's recent branching out to higher levels was pruned back today as speculative interests cut and thrust. By the close the dollar looked in better shape generally and the pound had stopped wilting elsewhere. The ERI edged down to 74.6.

New York was quiet last night and sterling closed there at 2.3745, having briefly moved 20 points higher. In London today a quiet morning followed an opening at 2.3652 although 2.3686 was touched early on. This afternoon a different landscape developed with some disjointed activity favouring the dollar and causing the pound to fall to 2.3437; but by the close it had rallied to 2.3563. Forward margins narrowed as Eurodollars moved up slightly, to 9 13/16% for 3 months; the covered premium for sterling rose to 1/8% p.a.

Sterling was a little firmer in Germany and Switzerland but a little softer in other European centres. The dollar regained about 1/8%, improving in Germany to 1.7735. There was no intervention, although last night the Fed had bought \$292mn. against deutschemarks. EMS narrowed to 1 1/8% with the French franc down to 4.1262 and the lira to 832 1/2. The Swiss franc closed at 1.6497. The yen was featureless, closing at 220.90 in Tokyo, 223.52 in London.

Gold was further spurred on by silver and followed a rise in New York to fix today at \$524 and \$526.50; it began to droop again afterwards.

Operations:	Market	+ \$5mn.
	Interest	+ 14
	Ghana	- 10
	Sundries	- 1
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		+ \$8mn.
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	Overnight	+ \$5mn.

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